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**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION**

In re:

PG&E CORPORATION,

- and -

**PACIFIC GAS AND ELECTRIC
COMPANY,**

Debtors.

- ☐ Affects PG&E Corporation
☐ Affects Pacific Gas and Electric
Company
☒ Affects both Debtors

** All papers shall be filed in the Lead
Case, No. 19-30088 (DM).*

Bankruptcy Case No. 19-30088 (DM)
Chapter 11 (Lead Case) (Jointly Administered)

**DECLARATION OF JASON P. WELLS IN SUPPORT
OF DEBTORS' MOTION PURSUANT TO 11 U.S.C.
§§ 363(b) AND 105(a) AND FED. R. BANKR. P. 6004
AND 9019 FOR ENTRY OF AN ORDER
(I) AUTHORIZING THE DEBTORS TO ENTER
INTO RESTRUCTURING SUPPORT AGREEMENT
WITH THE CONSENTING SUBROGATION
CLAIMHOLDERS, (II) APPROVING THE TERMS
OF SETTLEMENT WITH SUCH CONSENTING
SUBROGATION CLAIMHOLDERS, INCLUDING
THE ALLOWED SUBROGATION CLAIM AMOUNT,
AND (III) GRANTING RELATED RELIEF**

Date: October 23, 2019
Time: 10:00 a.m. (Pacific Time)
Place: United States Bankruptcy Court,
Courtroom 17, 16th Floor
San Francisco, CA 94102

Objection Deadline: October 16, 2019, 4:00 p.m. (PT)

1 I, Jason P. Wells, pursuant to section 1746 of title 28 of the United States Code, hereby
2 declare under penalty of perjury that the following is true to the best of my knowledge, information, and
3 belief:

4 I am the Senior Vice President and Chief Financial Officer of PG&E Corporation
5 (“**PG&E Corp.**”). Pacific Gas and Electric Company (the “**Utility**” and, together with PG&E Corp.,
6 the “**Debtors**”) is a wholly-owned subsidiary of PG&E Corp. In 2007, I joined PG&E Corp. as the
7 Director of Technical Accounting and was promoted to Senior Director of Corporate Accounting and
8 Assistant Controller in 2008. I became Vice President, Finance of PG&E Corp. in October 2011, and
9 became Vice President, Business Finance of PG&E Corp. in August 2013. I was appointed to my current
10 position at PG&E Corp. in January, 2016. I have a bachelor’s degree and a master’s degree in accounting
11 from the University of Florida and I am a Certified Public Accountant in the State of Florida.

12 I am authorized to submit this Declaration (the “**Declaration**”) on behalf of the Debtors
13 in support of the *Debtors’ Motion Pursuant to 11 U.S.C. §§ 363(b) and 105(a) and Fed. R. Bankr. P.*
14 *6004 and 9019 for Entry of an Order(I) Authorizing the Debtors to Enter into Restructuring Support*
15 *Agreement with the Consenting Subrogation Claimholders, (II) Approving the Terms of Settlement with*
16 *Such Consenting Subrogation Claimholders, Including the Allowed Subrogation Claim Amount, and*
17 *(III) Granting Related Relief* (the “**Motion**”), filed contemporaneously hereto.¹ The facts set forth in
18 this Declaration are based upon my personal knowledge, my review of relevant documents, and
19 information reviewed by me in the course of my duties and responsibilities. If called upon to testify, I
20 would testify to the facts set forth in this Declaration.

21 As described in the Motion, the Debtors have reached a second fundamental settlement
22 (the “**Subrogation Claims Settlement**”) of their wildfire liabilities as set forth in that certain
23 Restructuring Support Agreement, dated as of September 22, 2019 (the “**RSA**”), among the Debtors and
24 the Consenting Creditors (as defined in the RSA) parties thereto, and to be implemented pursuant to the
25 *Debtors’ First Amended Joint Chapter 11 Plan of Reorganization*, filed on September 23, 2019 [Docket
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27
28 ¹ Capitalized terms used but not otherwise herein defined shall have the meanings ascribed to such terms
in the Motion.

No. 3966] (as may be further amended, modified, or supplemented, the “**Plan**”).² The RSA is attached as Exhibit A to the Motion. I believe that the Subrogation Claims Settlement with a major constituency in these Chapter 11 Cases significantly advances the Debtors’ path to confirmation of their Plan and their successful emergence from chapter 11 on a schedule that will meet the June 30, 2020 deadline established under AB 1054.

The aggregate amount of Subrogation Claims that may be asserted in these Chapter 11 Cases are likely in excess of \$20 billion, and pursuant to the Subrogation Claims Settlement, all Subrogation Claims will be settled for \$11 billion to be distributed pursuant to, and in accordance with, the terms of the Plan, subject to confirmation of the Plan by the Court. The Consenting Creditors that are currently party to the RSA represent all of the members of the Ad Hoc Subrogation Group which has appeared in these cases since their inception. The Consenting Creditors hold approximately 85% of all Subrogation Claims that have been or could be asserted against the Debtors related to or in any way arising from the 2017 and 2018 Northern California wildfires that arise from subrogation, assignment, or otherwise in connection with payment made or to be made by the applicable insurer to insured tort victims, and whether arising as a matter of state or federal law. Based on information provided by members and attorneys for members of the Ad Hoc Subrogation Group, I understand that the lion’s share of the Ad Hoc Subrogation Group members that are not on the steering committee collectively hold nearly all of the remaining Subrogation Claims and are expected to become Consenting Creditors and fully support the Subrogation Claims Settlement.

The principal terms of the RSA and the Subrogation Claims Settlement are summarized in the Motion and I am familiar with such terms and provisions. In addition, during the period that the Subrogation Claims Settlement was negotiated, I actively participated in discussions with the Debtors’ management, the Board of Directors, and the Debtors’ retained professionals in evaluating the issues pertinent to the Subrogation Claims Settlement and the RSA, and ultimately the Debtors’ decision to enter into the RSA.

The Subrogation Claims Settlement embodied in the RSA, which incorporates the

² While the Plan is attached to the RSA as Exhibit B, for the avoidance of doubt, the Debtors are not requesting approval of the Plan as part of approval of the RSA.

1 Settlement Term Sheet attached to the RSA as Exhibit A (the “**Settlement Term Sheet**”), is the product
2 of extensive good faith, arms’ length negotiations between the Debtors, the Consenting Creditors, and
3 their respective retained professionals. I believe that entry into the RSA and the Subrogation Claims
4 Settlement represent a sound exercise of the Debtors’ business judgment. Furthermore, I believe that
5 the terms of the Subrogation Claims Settlement are fair and reasonable and in the best interest of the
6 Debtors, their estates, creditors, and other stakeholders. For example:

- 7 • The RSA settles and resolves in excess of approximately \$20 billion in
8 Subrogation Claims under the Plan for \$11 billion, representing a
substantial reduction of such claims;
- 9 • The Consenting Creditors party to the RSA have agreed to support the
10 Debtors’ Plan, as set forth in the RSA, thereby greatly facilitating the
11 Debtors’ ability to successfully and timely emerge from chapter 11 by
the June 30, 2020 deadline established in AB 1054;
- 12 • The RSA resolves and dispenses with the pending estimation
13 proceedings with respect to the Subrogation Claims, thereby
14 significantly limiting the scope, cost, and expense of those proceedings
and furthering the ability of those proceedings to move forward on a
timely basis; and
- 15 • The RSA eliminates the risks and uncertainties attendant to the
16 proceedings related to the estimation of the Subrogation Claims,
17 pending in the United States District Court, California State Supreme
Court, and this Court, including the potential impact on the Debtors’
other economic stakeholders, the claims and interests of which must also
be addressed in these Chapter 11 Cases.

18 Prior to entering into the RSA, the Debtors’ management and their Board evaluated and
19 assessed the Subrogation Claims using a variety of sources, including claims information provided to
20 the Debtors by the Ad Hoc Subrogation Group during and after formal mediations between the two
21 parties. The claims information provided by the Ad Hoc Subrogation Group indicates that to date, total
22 claims had been paid in excess of \$15 billion with respect to the 2017 and 2018 Northern California
23 wildfires. The information further showed a reserve amount of approximately \$3.7 billion, and
24 allocations for Incurred but Not Reported and Incurred but Not Enough Reserved amounts of \$2 billion
25 based on the insurers’ estimation of anticipated claims that had not yet been filed or reported.

26 These amounts, along with legal fees and prejudgment interest that could be asserted
27 against the Debtors, represent potential exposure of over \$20 billion. The Debtors weighed this potential
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1 exposure against the costs, burdens, and uncertainties of further litigation and determined that settling
2 the Subrogation Claims at approximately 55 cents on the dollar, a settlement rate that I understand falls
3 within the range of historical averages for wildfire-related events, is a prudent exercise of business
4 judgment on behalf of the Debtors. The Debtors' Board and management were presented with data,
5 information, and analysis pertaining to the Debtors' estimation of its potential liability with respect to
6 the Subrogation Claims on multiple occasions and thoroughly evaluated, with the assistance of outside
7 counsel and advisors, the Subrogation Claims Settlement. The result of those deliberations was the
8 decision to enter into the Subrogation Claims Settlement pursuant to the terms of the RSA.

9 Absent approval of the RSA and the underlying Subrogation Claims Settlement, the
10 Subrogation Claims would be subject to the pending estimation proceedings before the United States
11 District Court, the California State Superior Court, and this Court. Estimation of the Subrogation Claims
12 is likely to be a time consuming, expensive, and highly uncertain process involving complicated issues
13 of state and federal law and fact specific issues relating to causation, liability, and damages involving
14 not less than twenty-two separate wildfires and literally thousands of underlying individual loss claims.
15 With respect to the Tubbs fire, the most severe 2017 fire, although the Debtors believe, as confirmed by
16 Cal Fire, that their equipment was not involved, there can be no certainty that a jury in California
17 Superior Court may not reach a different conclusion. I believe, and the Debtors' Board also concluded,
18 that the resolution of the Subrogation Claims pursuant to the RSA eliminates this cost, expense, and
19 uncertainty as to all Subrogation Claims in a fair and reasonable manner.

20 Additionally, entry into the RSA avoids the risks and uncertainties of the estimation
21 proceedings to the Debtors and their other economic stakeholders with respect to a major claims
22 constituency, providing greater certainty to the Plan process and the Debtors' timely emergence from
23 chapter 11. In view of the magnitude of the asserted Subrogation Claims, the risks, uncertainties and
24 expense attendant to litigation of such claims, and, perhaps most importantly, the substantial reduction
25 in the asserted claims reflected in the settlement, I believe, and the Debtors' Board also concluded, the
26 Subrogation Claims Settlement is fair and reasonable and represents a sound exercise of the Debtors'
27 business judgment.

1 Additionally, I believe, and the Debtors' Board also concluded, that approval of the
2 Allowed Subrogation Claim Amount at this time as provided in the RSA, separate and apart from Plan
3 confirmation, is also reasonable and should be approved as a key element of the Subrogation Claims
4 Settlement. Subject to Court approval, it is my understanding that the \$11 billion Allowed Subrogation
5 Claim Amount will be binding in these cases (including following conversion cases under chapter 7 of
6 the Bankruptcy Code or appointment of a chapter 7 or chapter 11 trustee) in all instances except (i) in
7 the event of an Insolvency Termination; (ii) following delivery of an Allowance Termination Notice in
8 accordance with the RSA (Requisite Consenting Creditors Termination Events), and (iii) in the event of
9 termination of the RSA by the Debtors pursuant to Section 5(e)(i) of the RSA (Breach by Consenting
10 Creditors Holding At Least 5% of RSA Claims). The allowance of the Subrogation Claims as provided
11 in the RSA and the circumstances under which the Allowed Subrogation Claim Amount remains binding
12 or not in these cases is the product of extensive negotiations that took into account and balanced, among
13 other things, the agreement by the Consenting Creditors to forego participating in the estimation
14 proceedings based on the ability to receive under the Plan the treatment they bargained for that is
15 provided for in the RSA. Indeed, both the \$11 billion settlement amount and the allowance of the
16 Subrogation Claims as provided in the RSA were fundamental elements of the Subrogation Claims
17 Settlement without which the Subrogation Claims Settlement would not have occurred. It is my
18 understanding that, if the RSA is terminated under circumstances where the Debtors, because of their
19 breach or because it is apparent that the Debtors are unable to consummate the Subrogation Claims
20 Settlement under the Plan, the Consenting Creditors no longer will be bound to the compromised claim
21 amount and, if the Consenting Creditors elect to seek a higher claim amount, all parties' rights would be
22 reserved. In the other circumstances under the RSA and described in the Motion, where the Allowed
23 Subrogation Claim Amount remains binding, I believe it is appropriate for the allowed claim to remain
24 in effect.

25 Further, I believe, and the Debtors' Board also concluded, that the payment of fees and
26 expenses of the Ad Hoc Professionals in accordance with the RSA is also a reasonable exercise of the
27 Debtors' business judgment. It is my understanding that the Ad Hoc Professionals were instrumental in
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1 the negotiation of the RSA and the Subrogation Claims Settlement. Given that the RSA and Subrogation
2 Claims Settlement are clearly beneficial to the Debtors' estates and to the successful resolution of these
3 cases, it is reasonable for the Debtors' estates as part of the settlement to cover such professional fees
4 and expenses.

5 As stated above, the Subrogation Claims Settlement and the RSA constitute a pivotal
6 development and accomplishment in these Chapter 11 Cases. They are a major achievement critical to
7 advancing these Chapter 11 Cases to a timely and successful conclusion. Accordingly, I believe that the
8 RSA and the Subrogation Claims Settlement should be approved.

Pursuant to 28 U.S.C. § 1746, I declare under the penalty of perjury, that the foregoing is true and correct.

Dated: September 24, 2019
San Francisco, California

By: /s/ Jason P. Wells
Jason P. Wells